

SEVENTIETH ANNUAL REPORT 1975

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THE MONARCH LIFE ASSURANCE COMPANY



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THE MONARCH LIFE ASSURANCE COMPANY

SEVENTIETH ANNUAL REPORT 1975

HIGHLIGHTS

	1975	1974
Sales		
Amount of Life Insurance	296,121,000	257,562,000
Premiums on Annuities	9,556,000	8,059,000
Business in Force	1,640,489,000	1,437,293,000
Net Interest Rate	7.76%	7.58%
Assets	259,779,000	232,777,000

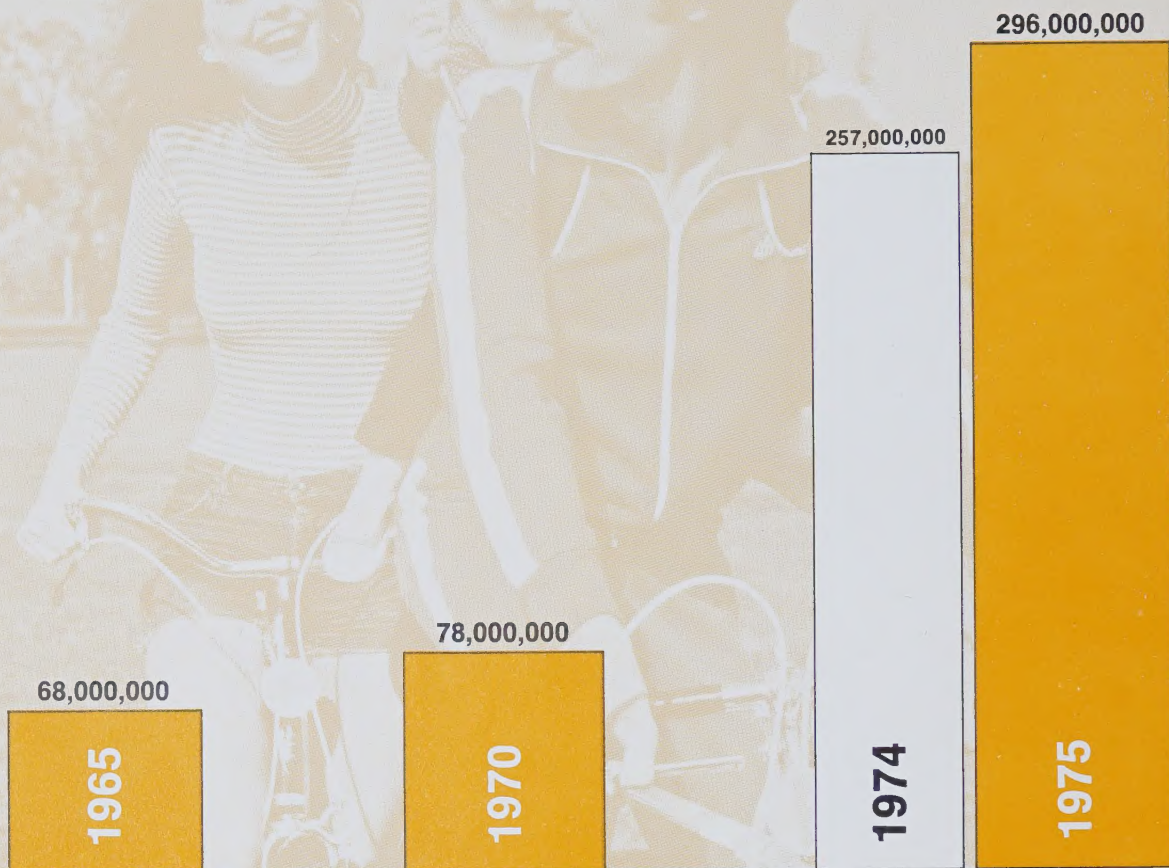
400

life insurance sales

300

200

100



Report of Directors

To the Seventieth Annual Meeting of The Monarch Life Assurance Company to be held at the Head Office of the Company, in Winnipeg, on February 17th, 1976.

SALES

The amount of life insurance sold in 1975 was \$296,121,000, a 15% increase over 1974.

Premiums on annuity sales were \$9,556,000, an increase of 19%. Of this total \$4,895,000 represented sales of Income Averaging Annuities and other similar annuities and \$3,774,000

represented sales of Registered Retirement Savings Plans.

The purchase of Income Averaging Annuities provides the opportunity for individuals to spread the tax consequences of certain capital gains over a period of years.

In mid 1974, the Company introduced revised annuity plans designed for individuals who wished to take advantage of the long term savings and tax advantages through Registered Retirement Savings Plans.

Both Income Averaging Annuities and RRSP annuities have proved to be an important ad-

2000

business in force



junct to the services performed by our sales representatives.

The Company's total business in force at year end was \$1,640,489,000 compared with \$1,437,293,000 at the end of 1974.

ASSETS

At year end, assets were \$259,779,000, an increase of \$27,002,000 or 11.6% for the year. This compares with an increase of \$24,165,000 or 11.6% in 1974.

The net rate of interest earned on our entire portfolio, after deduction of investment expenses, rose to 7.76% from 7.58%.

Bonds and first mortgages are shown on our books at amortized cost. Stocks are shown at

their original cost which is less than their market value. During 1975 interest rates continued at high levels and in September reached peaks not experienced in this century. As a result the market value of bonds purchased in prior years fell to low levels. Thus, in the aggregate, year end book values of our bond and stock investments exceeded values authorized by the Superintendent of Insurance for Canada by \$7,525,000. Our Investment and Contingency Reserve of \$7,800,000 provides for this.

INVESTMENTS

The risk of capital erosion from further inflation induced increases in interest rates was

300

assets

200

100

260,000,000

233,000,000

164,000,000

117,000,000

1965

1970

1974

1975

considered high and less funds than normal were made available for long term fixed income securities.

New funds directed to long term investments were apportioned 56% to mortgages, 29% to bonds and 15% to stocks.

Housing, both apartments and single family dwellings, represented about half of new mortgages placed.

Early in 1975 we increased the amount of our systematic investment in common stocks with some emphasis on Canadian oil and gas and energy-related mining companies, and the chartered banks.

SEGREGATED INVESTMENT FUNDS

The investments of these funds are segregated in the sense that they are not mingled with the other assets of the Company. They support the special series of pension policies available to individuals as well as to employers for their company pension plans. Interest in these policies continues to grow. At year end the total investment in these segregated investment funds was \$8,452,000, an increase of \$2,255,000 or 36%.

POLICY LOANS AND SURRENDERS

Requests for policy loans decreased in 1975, reversing a trend of the previous two years. The total of policy loans outstanding increased

\$1,058,000 during 1975 and was \$11,513,000 at year end. These policy loans represent 4.4% of assets. In 1974 they were 4.5%.

The number of policies surrendered for cash was slightly lower than in 1974, although the total paid was moderately higher.

MORTALITY

Fluctuations in mortality experience can and do occur from year to year. For 1975 our experience was normal whereas in 1974 our experience was 17% higher than expected.

POLICYHOLDERS

The amount paid to policyholders and beneficiaries in 1975 was \$19,583,000. In addition, \$22,130,000 was allocated to policy reserves for future payment. The total of \$41,713,000 paid or set aside is \$5,393,000 greater than the corresponding total for 1974.

EXPENSES

Operating expenses for 1975 were 13% higher than for 1974, reflecting inflationary pressures. Despite this, our cost ratios increased only slightly. A watchful and critical eye is kept on expenses as we consider methods and procedures to provide better service to policyholders.

NET INCOME AND SURPLUS

Net income from 1975 operations was \$1,780,000, a satisfying increase over the \$737,000 of 1974. \$800,000 of net income was allocated to increase the Investment and Contingency Reserve to \$7,800,000.

After all operations and provisions, surplus increased \$282,000 to \$15,197,000.

SHAREHOLDERS

The net income attributable to shareholders includes:

- (i) the net income of the non-participating and shareholders' division, and

- (ii) the amount transferred from the participating division to the shareholders' division, as explained in note 4.

For 1975 the net income attributable to shareholders was \$1,344,000 or \$2.69 per share. For 1974 it was \$2.46 per share.

The statutory basis of accounting required of life insurance companies does not reflect, in net income, the net capital gains or losses on security transactions attributable to the non-participating and shareholders' division. In 1975 this represented a loss of 7¢ per share whereas in 1974 this represented a gain of 79¢ per share.

During 1975, four quarterly dividends of 25¢ per share were declared. Quarterly dividends in 1974 were 22½¢.

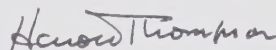
GENERAL

To the staff and representatives whose efforts made the very satisfactory results possible, the Directors extend sincere thanks and appreciation. The confidence and enthusiasm of the sales force, staff and officers is shared by the Directors.

On behalf of the Directors,



T. BRUCE ROSS, Chairman of the Board



HAROLD THOMPSON, President
and Chief Executive Officer

SEVENTIETH ANNUAL REPORT 1975

statement of financial position

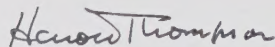
ASSETS

	December 31	
	1975	1974
BONDS (note 1)		
Federal, Provincial and Municipal	\$ 43,169,000	41,530,000
Public Utility, Industrial and Others	83,834,000	71,653,000
STOCKS (note 1)	16,097,000	13,974,000
FIRST MORTGAGES (note 1)		
Homes and Apartment Buildings	33,423,000	30,385,000
Office, Retail and Warehouse Buildings	51,158,000	48,735,000
REAL ESTATE		
For Investment	3,670,000	3,908,000
For Company Use	2,500,000	2,500,000
POLICY LOANS	11,513,000	10,455,000
CASH	1,278,000	275,000
INVESTMENT INCOME DUE AND ACCRUED	2,718,000	2,196,000
SEGREGATED INVESTMENT FUNDS	8,452,000	6,197,000
OTHER ASSETS	1,967,000	969,000

APPROVED BY THE DIRECTORS



T. BRUCE ROSS, Chairman of the Board



HAROLD THOMPSON, President and Chief Executive Officer

\$259,779,000

232,777,000

THE MONARCH LIFE ASSURANCE COMPANY

Financial position

LIABILITIES, CAPITAL and SURPLUS

	December 31	
	1975	1974
DIRECT OBLIGATIONS TO POLICYHOLDERS		
POLICY RESERVES	\$190,672,000	171,028,000
This amount together with future premiums and interest will provide for the payment of all benefits on policies in force.		
POLICY BENEFITS IN COURSE OF PAYMENT	2,691,000	1,239,000
POLICY BENEFITS ON DEPOSIT	22,717,000	21,160,000
POLICY DIVIDENDS PAYABLE	3,100,000	2,850,000
SEGREGATED INVESTMENT FUNDS	8,452,000	6,197,000
STAFF PENSION AND INSURANCE FUNDS	6,681,000	6,031,000
OTHER LIABILITIES	1,469,000	1,357,000
	<u>235,782,000</u>	<u>209,862,000</u>
SHARE CAPITAL (note 2)	1,000,000	1,000,000
Authorized 1,000,000 shares of \$2 par value		
Issued 500,000 shares		
INVESTMENT AND CONTINGENCY RESERVE	7,800,000	7,000,000
SURPLUS	15,197,000	14,915,000
	<u>23,997,000</u>	<u>22,915,000</u>
	<u>\$259,779,000</u>	<u>232,777,000</u>

SEVENTIETH ANNUAL REPORT 1975

statement of operations and surplus

	For the Year	
	1975	1974
INCOME		
Insurance and annuity premiums	\$34,776,000	31,293,000
Investment income less expenses (\$408,000 1974 - \$400,000)	18,498,000	15,297,000
Other	1,362,000	1,167,000
	<u>54,636,000</u>	<u>47,757,000</u>
DISPOSITION OF INCOME		
Paid or set aside for policyholders		
Death and disability benefits	3,235,000	3,134,000
Matured endowments	1,495,000	1,445,000
Annuity payments	3,165,000	2,513,000
Surrender benefits	5,756,000	5,489,000
Policy dividends	3,047,000	2,749,000
Interest credited to amounts on deposit	1,337,000	1,219,000
Increase in reserve for future payments to policyholders and beneficiaries	19,523,000	16,658,000
Increase in Segregated Investment Funds	2,255,000	1,715,000
Other	1,548,000	1,398,000
	<u>41,361,000</u>	<u>36,320,000</u>
Commissions	3,734,000	3,754,000
Operating expenses	7,114,000	6,290,000
Premium and income taxes	647,000	656,000
	<u>52,856,000</u>	<u>47,020,000</u>
NET INCOME	1,780,000	737,000
APPROPRIATIONS and ADJUSTMENTS		
Adjustments to book values of assets and net profit (loss) on sale of securities (note 1)	(77,000)	2,983,000
Increase in Investment and Contingency Reserve	(800,000)	(3,000,000)
Appropriation to Policy Reserves	(121,000)	—
Dividends to shareholders	(500,000)	(450,000)
	<u>282,000</u>	<u>270,000</u>
INCREASE IN SURPLUS		
SURPLUS, January 1	14,915,000	14,645,000
SURPLUS, December 31	<u>15,197,000</u>	<u>14,915,000</u>
ALLOCATED TO		
Participating policyholders' division	\$ 4,707,000	4,715,000
Shareholders' and non-participating policyholders' division	10,490,000	10,200,000
	<u>15,197,000</u>	<u>14,915,000</u>

THE MONARCH LIFE ASSURANCE COMPANY

notes to financial statements

1. In the Statement of Financial Position, Bonds and First Mortgages are shown at amortized cost. In 1974, stocks were adjusted to original cost resulting in a write up of \$1,534,000.

The values of Bonds and Stocks as authorized by the Department of Insurance of Canada are \$7,525,000 (1974 on a comparable basis—\$7,336,000) less than the values shown in the Statement of Financial Position.

2. Under a Stock Option Plan adopted in 1966, the Company may grant to executives for periods not exceeding 15 years, options to purchase shares of the unissued capital stock of the Company at a price equal to the market value of such stock on the date granted; provided, however, that the number of shares which may be purchased under such options may not exceed 50,000. To date no options have been exercised and 20,000 shares at \$20 per share are under option, 10,000 until 1979 and 10,000 until 1984.

3. The Company follows generally accepted accounting principles modified by the requirements of the Department of Insurance of Canada. These modifications include:

- (a) The costs of acquiring business are charged off as expenses in the year incurred rather than over the periods expected to be benefited.
- (b) Non-admitted assets such as furniture and equipment are charged off as expenses in the year acquired.
- (c) Income taxes are provided for on the basis of the "taxes payable" method.

4. Distributions of earnings to policyholders and shareholders are determined by the Board of Directors. For the participating division 90% of the amount distributed is allotted for policyholder dividends and 10% is transferred to the shareholders' division. This complies with Canadian insurance law governing the allocation of participating division earnings between policyholders and shareholders.

AUDITORS' REPORT

January 19, 1976

To the Policyholders, Shareholders and Directors of The Monarch Life Assurance Company:

We have examined the Statement of Financial Position of The Monarch Life Assurance Company as at December 31, 1975 and the Statement of Operations and Surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the Company as at December 31, 1975 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada, as explained in note 3 to the Financial Statements, applied on a basis consistent with that of the preceding year.



Chartered Accountants

Winnipeg, Manitoba

ACTUARY'S CERTIFICATE

January 19, 1976

I hereby certify that the amounts shown in the Policy Reserves and in the Segregated Investment Funds, in my opinion, make good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies.



F.S.A., F.C.I.A.

Actuary

THE MONARCH LIFE ASSURANCE COMPANY

board of directors

T. BRUCE ROSS, LL.D. Chairman of the Board
HAROLD THOMPSON . . . President and Chief Executive Officer

PAUL N. DuVAL	*S. PRICE RATTRAY, LL.D.
DOUGLAS D. EVERETT	CONRAD S. RILEY, M.B.E.
*WILLIAM G. KONANTZ	*STEWART A. SEARLE, JR.
*GORDON LAWSON, LL.D.	GEORGE E. SHARPE
RICHARD S. MALONE, O.B.E.	J. GORDON SPEIRS
*WILLIAM B. PARRISH	ALAN E. TARR

*Policyholders' Directors

EXECUTIVE OFFICERS

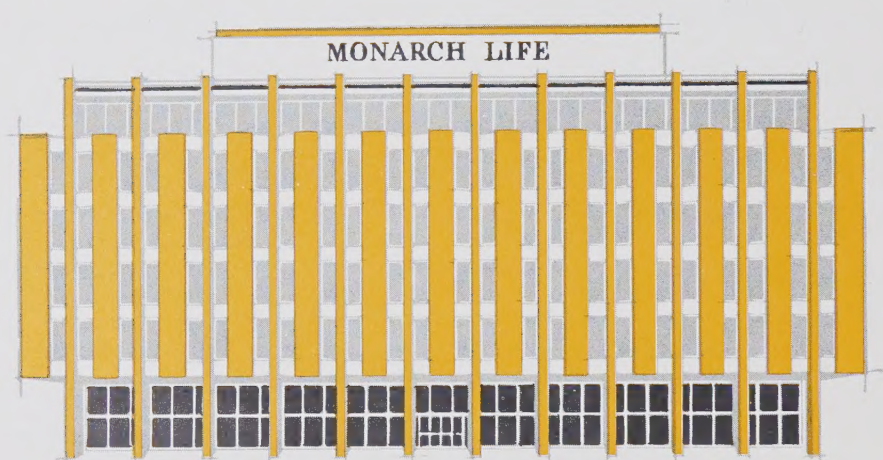
HAROLD THOMPSON . . . President and Chief Executive Officer
ALLAN G. DENNIS Vice-President, Marketing
ALAN E. TARR Vice-President, Investments
DONOVAN A. MCCARTHY, Q.C. . . Vice-President and Secretary
DOUGLAS B. STEVENS Vice-President, Administration

Share Transfer Agent and Registrar: CANADA PERMANENT TRUST COMPANY
At its Principal Offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver

administrative organization

HAROLD THOMPSON, F.S.A., F.C.I.A., President and Chief Executive Officer

A. G. DENNIS	Vice-President, Marketing	
Sales Development	T. Uster	Superintendent of Sales
	R. T. Sandstrom	Superintendent of Sales - Eastern
	K. A. M. Walker	Superintendent of Sales - Western
Marketing Services	G. E. Thomas	Superintendent of Marketing Services
	(Miss) J. Mislawchuk	Supervisor of Sales Administration
Sales Training	D. D. Sheppard, C.L.U.	Superintendent of Sales Training
	G. D. Jamieson	Field Training Supervisor
	R. Blouin	Field Training Supervisor
Sales Promotion	R. Maddocks	Superintendent of Sales Promotion
	Group and Corporate Sales	
Group Services	A. M. Byrne, F.S.A., F.C.I.A.	Assistant Actuary
	E. F. Harlow	Supervisor, Group Services
Group Sales	D. C. Hogg	Ontario Region
	B. J. Thompson	Manitoba, Saskatchewan Region
	J. G. Botterill	British Columbia, Alberta Region
A. E. TARR, A.S.A.	Vice-President, Investments	
Investment	R. E. Archer, C.F.A.	Investment Manager
	A. E. Hanson, A.A.C.I.	Manager, Mortgages and Real Estate
	D. G. Mills, C.F.A.	Common Stock Portfolio Manager
D. A. McCARTHY, Q.C.	Vice-President and Secretary	
Accounting	J. W. Clarke, C.A.	Comptroller
Personnel	C. J. Rogers, F.L.M.I.	Manager, Personnel and Building Services
	(Mrs.) E. Ferguson	Supervisor, Personnel
D. B. STEVENS, F.S.A., F.C.I.A.	Vice-President, Administration	
Data Processing	P. J. Sawchuk, F.L.M.I.	Director of Data Processing
	L. G. F. Jones	Supervisor, Data Processing Operations
	E. Lindgren, F.L.M.I.	Supervisor, Systems and Programming
Policy Service	A. Croteau, A.S.A.	Manager, Policy Service
	(Mrs.) T. Fifi	Supervisor, Policy Service
	E. Shandruk	Supervisor, Branch Services
Policy Administration	C. E. Addison, F.L.M.I.	Manager, Policy Administration
C. J. STAFFORD, F.S.A., F.C.I.A.	Actuary	
Actuarial	L. A. Poole, F.S.A., F.C.I.A.	Assistant Actuary
Underwriting	R. G. Handford, M.D.	Director of Underwriting
	F.R.C.P.(C)	
	N. L. Handford	Senior Underwriter
	W. A. Riddall	Senior Underwriter
New Business, Ordinary	N. P. Walton	Co-Ordinator, New Business
	C. M. Mederski	Supervisor, Policy Issue
	T. Weber, F.L.M.I.	Supervisor, New Business Services



BRANCH OFFICES

		Telephone Number	Area Code
VICTORIA	D. E. PEGG, 230 - 777 Broughton St.	384-0584	604
VANCOUVER	D. G. CLEMENTS & ASSOC. LTD., 3rd Flr., 545 Clyde Ave.	926-6021	604
	I. F. DEWEST & ASSOC. LTD., 216 - 2438 Marine Dr.	926-6007	604
	D. LAKUSTA, C.L.U., 1500 - 777 Hornby St.	684-5322	604
	J. G. BOTTERILL, 1500-777 Hornby St. (Group & Corporate Sales)	684-5322	604
PRINCE GEORGE	L. J. TOURNIER, C.L.U., 2nd Flr., 1527-3rd Ave.	562-8261	604
EDMONTON	DAY, ROSS & ASSOC., 805 Empire Bldg., 101 St. & Jasper Ave.	429-1418	403
	W. E. SOUTHORN, C.L.U., 15th Flr., CN Towers, 104 Ave & 100 St.	422-6125	403
	W. B. (BILL) TAINSH & ASSOC. LTD., 211-8204 104th St.	433-5801	403
RED DEER	P. J. DERKSEN, C.L.U., The Royal Bank Bldg., 300-4943 50th St.	347-1135	403
CALGARY	P. A. JOHNSON, C.L.U., 800-825 8th Ave. S.W.	263-4070	403
	K. P. ROCHE, 800-825 8th Ave. S.W.	263-4070	403
LETHBRIDGE	J. H. PROVICK, Professional Bldg., 404-8th St. S.	327-2985	403
SASKATOON	C. W. BLACKMUR, C.L.U., Avord Tower, 606 Spadina Cres. E.	653-0602	306
REGINA	C. J. LIPTON, 1770 Avord Tower, Victoria Ave. & Hamilton St.	523-9631	306
BRANDON	J. R. TOOGOOD, C.L.U., 4th Flr., Royal Bank Bldg., Box 727	727-0721	204
WINNIPEG	B. V. CORDES, 5th Flr., 305 Broadway	943-6565	204
	L. H. FYKE, C.L.U., 2nd Flr., 360 Broadway	947-6771	204
	D. O. EVANS, 6th Flr., 338 Broadway	956-1153	204
	B. J. THOMPSON, 333 Broadway (Group & Corporate Sales)	942-0911	204
THUNDER BAY	W. J. LYSACK, C.L.U., 410 Chapple Bldg., Box 326	622-6444	807
WINDSOR	R. D. HEBERT, 1010-100 Ouellette Ave.	258-5433	519
LONDON	STEVENSON AND HUNT INS. AGENCIES LTD., 2nd Flr., 267 Dundas St.	433-4083	519
	J. D. TAYLOR, 6th Flr., 195 Dufferin Ave.	672-6220	519
HAMILTON	BRYAN and CO. INSURANCE AGENCY LTD., 36 James St. S.	528-0317	416
	D. S. HILBORN, C.L.U., 2105-25 Main St. W.	522-9274	416
	SKYWAY LIFE INS. AGENCIES INC., 604-105 Main St. E.	525-7247	416
TORONTO	604-200 Consumers Road	493-3744	416
	J. LOMAN, C.L.U., 404-40 St. Clair Ave. W.	929-3188	416
	J. B. SMITH, C.L.U., 2nd Flr., 101 Duncan Mill Rd.	449-8383	416
	S. S. TAERK, C.L.U., 501-50 Gervais Dr.	449-7330	416
	D. HOGG, 502-50 Gervais Dr. (Group & Corporate Sales)	449-4477	416
OSHAWA	R. A. SLANEY, C.L.U., 44 Bond St. W.	725-6588	416
OTTAWA	E. E. LAUGHREN, 1500-85 Albert St.	235-1431	613
MONTREAL	P. ANGELINI, C.L.U., 6600 Cote des Neiges Rd.	731-8257	514
	JOSEPH FRIEDMAN INSURANCE AGENCY LTD., 140 Appin Ave.	739-4202	514
	GUILDO MORNEAU & ASSOC. INC., 406-1010 St. Catherine St. W.	861-1746	514
	RIVARD, LANGEVIN & ASSOC. INC., 406-1010 St. Catherine St. W.	861-1746	514
	SAMUEL PENCER & ASSOC. LTD., 3448 Stanley St.	288-2170	514
HALIFAX	P. M. ROBINSON & ASSOCIATES LTD., 1030 South Park St.	429-3060	902



Raccoons Exploring a Crayfish Creek

CLARENCE TILLENIUS

Far more than just colourful paintings of Canadian wildlife, Winnipeg artist Clarence Tillenius' art is art with a purpose. Tillenius grieves that our wonderful world of wildlife is slowly disappearing under the pressures of encroaching civilization. His realistic, life-like paintings, so complete in detail, seem to speak aloud, urging us to preserve the matchless wilderness with which our country is blessed. It is perhaps this persuasive, realistic quality more than anything else which ranks Tillenius as one of the world's leading wildlife artists.

Over the years, Tillenius has produced a number of canvases and sketches for The Monarch Life Assurance Company. The famed wildlife collection entitled "Monarchs of the Canadian Wilds" has been exhibited periodically by the company across Canada. The painting of the raccoons featured above is the most recent addition to the second Monarch series entitled "Small Fur Bearing Animals."



THE MONARCH LIFE ASSURANCE COMPANY

333 BROADWAY, WINNIPEG, MANITOBA, CANADA